

Tax Facts

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New Apportionment Methods Adopted

The Department recently revised Washington Administrative Code (WAC) 458-20-194 which became effective January 1, 2006. The revised rule sets out the approved methods of apportioning service income when the services are performed both in-state and out-of-state.

In conjunction with the rule change, we've created an online video and developed a Special Notice to help affected businesses and tax professionals understand and apply the new methods and correctly report their Washington income.

The Special Notice, "Apportionment – Approved Methods," was mailed in January 2006 to service providers located inside and outside of Washington that have used the "interstate and foreign sales" deduction on past tax returns.

To view the online video or to access the Special Notice, see our web site at <http://dor.wa.gov>.

The Department will conduct a series of free workshops on the new apportionment methods, beginning in May. For more information on upcoming apportionment workshops, to register for a workshop, or to request a workshop in your area, go to our web site, click on the "Doing Business" tab and select "Workshops" from the menu on the left.

Reminder!

Businesses that participated in certain tax deferral/waiver or credit programs during calendar year 2005 must complete and file an Annual Survey or Annual Report forms with the Department of Revenue by March 31, 2006. Both the Annual Survey and Annual Report forms may be completed online beginning March 1, 2006. Simply select the "Online Services" tab on our home page.

An Annual Report form must be filed by participants in the following programs:

- Aerospace B&O tax rate reduction (RCW 82.04.260)
- Aerospace preproduction development expenditures B&O tax credit (RCW 82.04.4461)
- Aerospace land, buildings, and equipment B&O credit for property taxes (RCW 82.04.4463)

Protect your rights to claim tax deferrals and credits

- Solar systems manufacturing B&O tax rate reduction (RCW 82.04.294)
- Aluminum smelter tax adjustments (RCW 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, 82.12.022)
- Electrolytic processing tax adjustments (RCW 82.16.0421)

An Annual Survey form must be filed by participants in the following programs:

- Rural county sales and use tax deferral/waiver (chapter 82.60 RCW)
- High technology research and development (R&D) sales and use tax deferral/waiver (chapter 82.63 RCW)
- High technology research and development B&O tax credit (RCW 82.04.4452)
- Fruit and vegetable processor B&O tax exemption (RCW 82.04.4266)

Notice to Auto Repair Facilities

Under Washington's Auto Repair Law, Chapter 46.71 RCW, customers are entitled to:

1. A written estimate for repairs that will cost more than \$100, unless waived or absent face-to-face contact (see item 4).
2. Return or inspection of all replaced parts, if requested at the time repair is authorized.
3. Authorize orally or in writing any repairs exceeding the estimated total pre-sales tax cost by more than 10 percent.
4. Authorize any repairs orally or in writing if the customer's vehicle is left with the facility without face-to-face contact between the customer and the repair facility personnel.
5. An invoice copy clearly and accurately listing all work performed and parts supplied.

Repair facilities that don't comply with these requirements can't file a possessory or chattel lien for unauthorized parts or labor on the motor vehicle or component. For more information or to obtain a repair notice sign to post at your place of business, call us at 1-800-647-7706.

The following Special Notices were recently issued. These notices discuss current issues as well as changes resulting from new legislation. They are available online by visiting <http://dor.wa.gov> and clicking on Special Notices under Quick Clicks. You may also call 1-800-647-7706.

Apportionment – Approved Methods
– issued December 21, 2005.

Personal Chefs – issued January 31, 2006.

New Updated Real Estate Excise Tax Rules

Effective December 17, 2005, the Department adopted chapter 458-61A Washington Administrative Code (WAC) and repealed 458-61 WAC. The updated WAC provides tax reporting information to people who sell real estate in Washington or who transfer a controlling interest in an entity that owns real estate in this state. The new rules update and clarify existing information, provide a number of examples, and explain Department practices in administering the real estate excise tax, including:

- who is liable for the tax
- how and when the tax is paid
- which transactions are taxable
- what exemptions are available
- recordkeeping requirements

We consolidated the previous 53 rules down to 38 and renumbered the rules within the number series spanning from 100 to 300. The "100 series" rules address the taxability of transfers; "200 series" rules discuss tax exemptions; and "300 series" rules discuss administrative procedures.

Guidelines for the Agricultural Burning Exemption

The Department recently developed guidelines for the agricultural burning sales/use tax exemption. These guidelines clarify agricultural burning exemption application prior to July, 1, 2005, when the law changed. The guidelines specify the requirements for determining whether equipment is used "more than half of the time" in a qualifying activity. They also explain how the requirement is measured, how the review period is established, and how to determine the equipment's value.

We plan to incorporate this information into an Excise Tax Advisory in the near future.

You can access the guidelines at <http://dor.wa.gov>. Select the "Taxes" tab, then "Industry Specific Information" from the left menu. Click on "Agriculture" and select "Guidelines for the Agricultural Burning Exemption" under Additional Resources at the bottom.

Tax Workshops

Check out our web site! We offer workshops free of charge throughout the state. To view the schedule or for more information, visit <http://dor.wa.gov>, click on "Doing Business," then select "Workshops" from the menu on the left side. Once you find the workshop that's right for you, register online or call the number listed.

Apportionment workshops

These workshops detail the newly adopted methods used to apportion service income for businesses doing business in-state and out-of-state.

Location: Burien

Date: 5/04/06

Time: 1:30 - 3:30 p.m.

SeaTac Occupational Skills Center, Yorkmark Conference Room
18010 8th Ave S - Register at <http://dor.wa.gov> or call 1-800-647-7706

Business outreach workshops

These workshops provide a basic overview of taxes and tax reporting responsibilities that apply to various business activities in Washington.

Construction workshop

This workshop provides tax information specific to the construction industry, including: custom construction, speculative building, federal government contracting, and public road construction.

Location: Wenatchee

Date: 5/11/06

Time: 1:30 - 3:30 p.m.

Comfort Inn Conference Room, 815 N Wenatchee Ave
Register at <http://dor.wa.gov> or call 1-800-647-7706

Free workshops

Visit our web site for
more information
<http://dor.wa.gov>

On the Web

You may be richer than you think!

Unclaimed property E-claim goes live

We've launched an exciting new feature that allows you to search for unclaimed property (UCP) and file the necessary claim via our web site.

The new process is simple.

- Go directly to ClaimYourCash.org to access the UCP home page. (It is available at <http://ucp.dor.wa.gov> as well.)
- The existing UCP database search tool will locate any property the state is holding in your name.
- The system automatically directs you to our secure Online Services area and guides you through a series of easy steps to claim your property.

An estimated one in seven Washington residents has unclaimed property in our database. For more information on UCP, visit our web site or call us at 1-800-435-2429.

E-file is easier than you think

E-file is more accurate than paper. It always has the correct rates, and it automatically checks for math errors.

E-file is faster. It lets you customize to show only the lines you need to report. And, E-file lets you choose from several payment options.



Get connected at
<http://dor.wa.gov>

Need help? 1-877-345-3353

Following are the Department of Revenue's recent excise tax rule adoptions and repeals. For specific information on the rule changes, to obtain a copy of a newly adopted rule, for additional details on rule making currently in progress, or for more information regarding how these rules may affect you, contact us online at <http://dor.wa.gov/content/laws/RuleMaking/default.aspx> or call our Telephone Information Center at 1-800-647-7706.

Excise tax rules (WAC) adopted or amended:

- 458-20-144 Printing industry. Effective March 2, 2006.
- 458-20-185 Tax on tobacco products.
Emergency rule effective January 26, 2006.
- 458-20-186 Tax on cigarettes. Emergency rule effective January 26, 2006.
- 458-20-194 Doing business inside and outside the state.
Effective January 1, 2006.
- 458-20-196 Bad debts. Effective January 8, 2006.
- 458-20-261 Commute trip reduction incentives.
Effective January 13, 2006.

Property tax rules (WAC) adopted or amended:

- 458-19-005 Definitions. Effective January 22, 2006.
- 458-19-070 Procedure to adjust consolidated levy rate for taxing districts when the statutory aggregate dollar rate limit is exceeded.
Effective January 22, 2006.
- 458-19-075 Constitutional one percent limit calculation.
Effective January 22, 2006.
- 458-30-262 Agricultural land valuation – Interest rate – Property tax component. Effective January 1, 2006.
- 458-30-590 Rate of inflation – Publication – Interest rate – Calculation. Effective January 1, 2006.
- 458-50-040 Annual reports – Time of filing – Extension of time. Effective March 11, 2006.
- 458-50-070 Annual assessments – Procedure.
Effective March 11, 2006.
- 458-50-100 Apportionment of operating property to the various counties and taxing districts.
Effective March 11, 2006.

Forest tax rules (WAC) adopted or amended:

- 458-40-540 Forest land values – 2006.
Effective January 1, 2006.
- 458-40-610 Timber excise tax – Definitions.
Effective January 22, 2006.
- 458-40-660 Timber excise tax – Stumpage value tables – Stumpage value adjustments. Emergency rule effective January 26, 2006.
- 458-40-680 Timber excise tax – Volume harvested – Approved scaling and grading methods – Sample scaling – Conversions.
Effective January 22, 2006.

Real estate excise tax chapter adopted:

Chapter 458-61A WAC Effective December 17, 2005.

Real estate excise tax chapter repealed:

Chapter 458-61 WAC Effective December 17, 2005.

Leasehold excise tax rule (WAC) adopted or amended:

458-29A-100 Leasehold excise tax – Exceptions.
Effective December 17, 2005.

Changes to interpretive/policy statements

The Department issues interpretive and policy statements, such as Excise Tax Advisories (ETA) and Property Tax Advisories (PTA) to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued or cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

Excise tax advisories (ETAs) issued:

- 269.04.194 Out-of-state engineering firm performing services in this state which are incidental to those performed by its out-of-state office. Effective January 30, 2006.
- 270.04.194 Interest income derived from the extension of credit to a party in another state by a Washington taxpayer with business situs in both states.
Effective January 30, 2006.
- 280.04.193 Commissions earned on interstate sales.
/194 Effective January 30, 2006.
- 324.04.194 Application of business and occupation tax to royalty income earned through grant of patent privileges. Effective January 30, 2006.
/224
- 2028.04.193 Foreign trade zones. Effective February 1, 2006.

Excise tax advisories (ETAs) cancelled:

- 019.04.194 Engaging in business within the state of Washington. Cancelled effective January 30, 2006.
- 89-005 A statement of purpose and intent with respect to the taxability of newspapers and definition of a newspaper. Cancelled effective December 22, 2005.

Property tax advisories (PTAs) issued (all effective January 11, 2006):

- 11.1.2006 Application of the Federal Servicemembers' Civil Relief Act and the Washington Servicemembers' Civil Relief Act to property tax administration.
- 14.0.2006 Transfer of land classified under chapter 84.33 RCW or chapter 84.34 RCW is transferred in trust to the United States.

Property tax advisories cancelled

- 11.0.2003 Application of the Soldiers' and Sailors' Relief Act of 1940 to property tax administration.
Cancelled January 11, 2006.



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To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715.

Teletype (TTY) users please call 1-800-451-7985.